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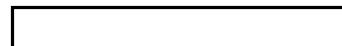
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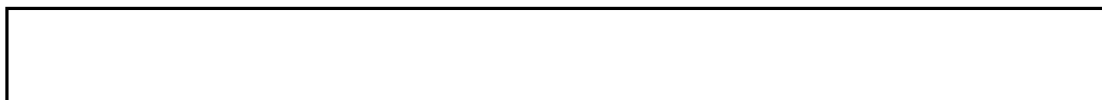


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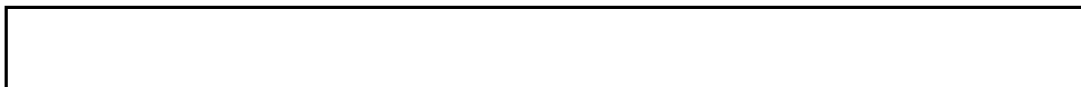
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\*ISRAEL: President Katzir began consultations with party leaders yesterday on the formation of a new government. He met with delegations from the ruling Labor Alignment and the right-wing Likud, with each party asking that it be given the mandate.

If the Alignment is unable to come up with a candidate to head a government within ten days to two weeks, according to the press, Katzir will turn to the Likud. If, on the other hand, the party does name its choice within the stipulated period, it could, under the law, be allowed as long as six weeks to form a cabinet. Finance Minister Sapir, who was urged yesterday by his own faction of the Alignment to take the job of prime minister, reiterated his earlier refusal.

In the meantime, the cabinet yesterday named Major General Mordecai Gur chief of staff of the Israel Defense Force. Gur was Tel Aviv's military attaché in Washington at the outbreak of the October war and is free of any taint of responsibility for Israel's unpreparedness. His appointment lends support to Tel Aviv's contention that Mrs. Meir's caretaker government is capable of conducting business as usual.

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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CHINA-JAPAN: Peking and Tokyo have agreed to initiate regular air service between the two countries no later than September 29, the second anniversary of the establishment of their diplomatic relationship.

The agreement was reached after months of complex maneuvering over adjustments to Japan's air links with Taiwan. In response, Taipei has publicly stated it is prepared to suspend air service with Japan. It is not yet clear whether Taipei will carry out its threat to deny Japanese aircraft the right to pass through its Air Defense Identification Zone.

A member of Taipei's embassy in Washington informed US officials on Saturday that Tokyo and Peking plan to announce the initialing of their agreement today. A press account from Tokyo yesterday provided details of the agreement, which appears to contain no surprises.

Taipei's threat to shut down air services to and from Japan will not stop Prime Minister Tanaka from pressing for consummation of the agreement with Peking, but it will make the task more difficult and possibly will damage Tanaka and Foreign Minister Ohira politically. While they may well get some credit at home for handling this sensitive foreign policy issue firmly, critics in the ruling party's right wing will attack them for their failure to reach prior agreement with the Taipei government.

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an air link with Tokyo is important to Taipei both politically and economically. In the end, Nationalist leaders will probably consent to new air arrangements with Tokyo on a "private" basis.

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CHINA-USSR: Peking's decision to try the crew of the captured Soviet helicopter on charges of espionage will provide another irritant in Sino-Soviet relations.

Recent statements by Chinese officials to diplomats in Peking confirm earlier indications that the crew members will be put on trial. The Chinese Foreign Ministry has already formally charged that the helicopter, which was downed in northwestern China in mid-March, was on an espionage mission.

Peking will probably give the trial heavy publicity and almost certainly will link the incident with the expulsion from China in January of five Soviet diplomats accused of spying. Both events could be used to continue Chinese polemics against alleged Soviet expansionism and worldwide espionage activities.

The Soviets are spreading the line that the Chinese may hold a show trial of the helicopter crew. The Soviets were the first to publicize the border incident, apparently in an attempt to pre-empt an anticipated Chinese publicity campaign.

Moscow will probably be restrained in its handling of the trial itself. This treatment would be in line with Moscow's current effort to keep its comments on Sino-Soviet affairs in a low key.

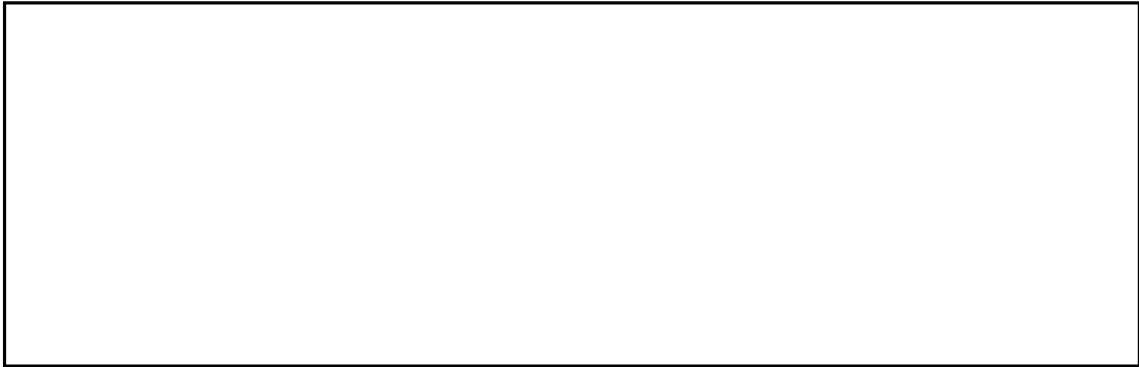
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Romania: President Ceausescu asked the US on Saturday for Commodity Credit Corporation credits to purchase one million tons of grain--half wheat and half corn--for delivery in late 1974 and early 1975. Usually a grain exporter, Romania this year faces a drought that could lead to its second consecutive grain shortfall. Although the effect of the drought could be reversed by normal rains in April and May, the Romanians are hedging their bets.

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